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SUBJECT: TURF BATTLES HINDER MONGOLIAN EFFORT TO REACH TRANSPARENCY
PACT WITH U.S.

REF: Ulaanbaatar 0050

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1. (SBU) SUMMARY: Turf battles between Mongolian ministries have slowed preparations for a series of digital videoconferences on a US-Mongolia Transparency Agreement, but progress has been made and Mongolia hopes to start such conferences in late March. D. Munkhjargal, a senior official of the Mongolian Ministry of Trade and Industry, made this clear in a March 7 discussion with Post's Commercial Specialist. Munkhjargal said negotiations on a Transparency Agreement have been delayed by infighting between the Ministry of Foreign Affairs and the Ministry of Industry and Trade, over which would lead the trade talks. The Government of Prime Minister Bayar has apparently settled the dispute by vesting this authority in both ministries, through a joint Task Force dedicated to managing bilateral trade relations. A Transparency Agreement would enhance US-Mongolia commercial ties, boost opportunities for U.S. businesses, and help Mongolia meet development goals. END SUMMARY.

2. (SBU) On March 7, Post's Commercial Specialist spoke with D. Munkhjargal, Senior Officer of the Ministry of Trade and Industry's (MIT's) Department of Trade and Economic Cooperation, regarding GOM preparations for a series of digital videoconferences on a US-Mongolia Transparency Agreement (UMTA). USTR will lead the DVCs, which will allow both sides to identify differences and points of agreement before negotiations on the UMTA begin in earnest.

3. (SBU) Munkhjargal noted that infighting between the Foreign Ministry and the Ministry of Foreign Affairs over which would lead the trade talks slowed progress toward negotiations on the UMTA. He said the GOM has responded by starting to assemble a "Task Force Team" to deal with UMTA and other trade-related matters. This team is to include representatives of the Ministries of Foreign Affairs, Industry and Trade, Finance, Justice and Home Affairs, and the National Statistics Office. (Other ministries and agencies will be allowed to comment on the proceedings as needed.) Munkhjargal indicated that the GOM will employ this new structure for trade agreements with the United States and other nations, marking a new

approach to bilateral trade relations. The GOM is still working out the precise composition and structure of the Task Force Team, which Munkhjargal believes will be finalized by mid-March.

14. (SBU) The concept for these DVC discussions sprang from the Fourth US-Mongolia Trade and Investment Framework Agreement (TIFA) Talks held in Washington on February 4. During those talks, the GOM and USG agreed to move ahead on a UMTA and establish a flexible timetable to begin and conclude UMTA discussions (septel). However, the Mongolians agreed to present a list of particular concerns about UMTA in advance of any negotiations, so that USTR could determine if active pursuit of UMTA at this time was possible. This presentation was scheduled to occur via DVC between March 10 and 14. However, the Mongolian Government recently contacted Post and requested a delay until late March. The GOM assured us that it has every intention of holding the DVCs and crafting an UMTA.

15. (SBU) We anticipate that the GOM will soon provide us with UMTA-related material for consideration in the upcoming DVCs. Munkhjargal suggested that USTR and Post consider a late March date for the first DVC. He indicated that he believes that several DVCs will be necessary to address GOM and USTR concerns about UMTA. He noted, without elaborating, that preliminary comments from the Task Force Team members indicate support for the UMTA in concept, though many questions and concerns remain.

COMMENT

16. (SBU) The GOM's move to an apparently permanent, inter-ministerial approach to bilateral trade relations is a positive outcome of the TIFA/TA process, and could help prevent

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future bureaucratic turf wars. Technically, the Foreign Ministry has authority over any stand-alone, bilateral agreement, while the Trade and Industry Ministry has authority over trade agreements. Following six months of inter-ministerial gridlock that prevented progress toward a Transparency Agreement, the Bayar Government directed both sides to settle the matter quickly, to move the issue forward.

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